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AMENDED IN SENATE AUGUST 4, 2010

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AMENDED IN ASSEMBLY APRIL 12, 2010

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 1954

Introduced by Assembly Members Skinner and V. Manuel Pérez

February 17, 2010

An act to amend Sections 399.2.5 and 399.12 of the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 1954, as amended, Skinner. Electrical transmission: renewable energy resources.

Under existing law, the Public Utilities Commission (CPUC) has regulatory authority over public utilities, including electrical corporations, as defined. Existing law, the Public Utilities Act, prohibits any electrical corporation from beginning the construction of, among other things, a line, plant, or system, or of any extension thereof, without having first obtained from the CPUC a certificate that the present or future public convenience and necessity require or will require that construction (certificate of public convenience and necessity). Existing law requires the CPUC, in acting upon an application by an electrical corporation for a certificate of public convenience and necessity, to deem new transmission facilities necessary to the provision of electric

service if the CPUC finds that new transmission facilities are necessary to facilitate achievement of the renewable power goals established under the renewables portfolio standard. That law additionally requires the CPUC, upon finding that new transmission facilities are necessary to facilitate achievement of the renewable power goals established under the renewables portfolio standard, to take all feasible actions to ensure that the transmission rates established by the Federal Energy Regulatory Commission are fully reflected in any retail rates established by the commission.

This bill would provide that an application by an electrical corporation for a certificate of public convenience and necessity for new transmission facilities is necessary to the provision of electric service if the CPUC finds that the new transmission facility is necessary to facilitate achievement of the renewables portfolio standard. The bill would authorize the CPUC to approve the recovery in retail rates by an electrical corporation of certain costs for transmission facilities that are incurred in certain circumstances if not approved for recovery in transmission rates by the Federal Energy Regulatory Commission.

This bill would revise and recast certain of the definitions applicable to the California Renewables Portfolio Standard Program, and would revise certain requirements applicable to the State Energy Resources Conservation and Development Commission for certifying when an eligible renewable energy resource may earn a renewable energy credit.

~~The provisions of the bill would only become operative if the bill and SB 722 of the 2009–10 Regular Session are both enacted and become effective on or before January 1, 2011.~~

This bill would incorporate additional changes to Section 399.12 of the Public Utilities Code, proposed by SB 722, to be operative only if SB 722 and this bill are both chaptered and become effective on or before January 1, 2011, and this bill is chaptered last.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 399.2.5 of the Public Utilities Code is
- 2 amended to read:
- 3 399.2.5. (a) Notwithstanding Sections 1001 to 1013, inclusive,
- 4 an application of an electrical corporation for a certificate
- 5 authorizing the construction of new transmission facilities is

1 necessary to the provision of electric service if the commission
2 finds that the new facility is necessary to facilitate achievement
3 of the renewables portfolio standard established in Article 16
4 (commencing with Section 399.11).

5 (b) With respect to a transmission facility described in
6 subdivision (a), the commission shall take all feasible actions to
7 ensure that the transmission rates established by the Federal Energy
8 Regulatory Commission are fully reflected in any retail rates
9 established by the commission. These actions shall include all of
10 the following:

11 (1) Making findings, where supported by an evidentiary record,
12 that those transmission facilities provide benefit to the transmission
13 network and are necessary to facilitate the achievement of the
14 renewables portfolio standard established in Article 16
15 (commencing with Section 399.11).

16 (2) Directing the utility to which the generator will be
17 interconnected, where the direction is not preempted by federal
18 law, to seek the recovery through general transmission rates of the
19 costs associated with the transmission facilities.

20 (3) Asserting the positions described in paragraphs (1) and (2)
21 to the Federal Energy Regulatory Commission in appropriate
22 proceedings.

23 (4) Allowing recovery in retail rates of any increase in
24 transmission costs incurred by an electrical corporation resulting
25 from the construction of the transmission facilities that are not
26 approved for recovery in transmission rates by the Federal Energy
27 Regulatory Commission after the commission determines that the
28 costs were prudently incurred.

29 (c) (1) The commission, prior to making a finding pursuant to
30 subdivision (a), may approve an advice letter from an electrical
31 corporation seeking, for a specific transmission project, a finding
32 of eligibility for cost recovery pursuant to paragraph (4) of
33 subdivision (b), if the electrical corporation certifies in the advice
34 letter, in a form prescribed by the commission, that it expects that
35 the facility will be necessary to facilitate achievement of the
36 renewables portfolio standard established pursuant to Article 16
37 (commencing with Section 399.11). The electrical corporation's
38 ultimate recovery of construction costs shall be contingent upon
39 the commission finding, pursuant to subdivision (a), that the facility

1 is necessary to facilitate achievement of the renewables portfolio
2 standard and that the costs were prudently incurred.

3 (2) Prior to making a finding pursuant to subdivision (a), the
4 commission may approve an advice letter from an electrical
5 corporation requesting retail rate cost recovery for costs incurred
6 prior to permitting or certification for potential transmission
7 facilities if the electrical corporation certifies in the advice letter,
8 in a form prescribed by the commission, that it expects that the
9 facility will be necessary to facilitate achievement of the
10 renewables portfolio standard established pursuant to Article 16
11 (commencing with Section 399.11). The electrical corporation's
12 ultimate recovery of costs incurred prior to permitting or
13 certification shall be contingent upon the commission finding that
14 the electrical corporation administered the approved costs
15 reasonably and prudently.

16 (3) Any commission determination pursuant to this subdivision
17 is not binding upon the commission when determining the need
18 for the transmission facilities pursuant to Chapter 5 (commencing
19 with Section 1001) or Article 16 (commencing with Section
20 399.11).

21 (d) Any cost recovery pursuant to subdivision (b) or (c) shall
22 be limited to costs that are not approved for recovery in
23 transmission rates by the Federal Energy Regulatory Commission.

24 SEC. 2. Section 399.12 of the Public Utilities Code is amended
25 to read:

26 399.12. For purposes of this article, the following terms have
27 the following meanings:

28 (a) "Conduit hydroelectric facility" means a facility for the
29 generation of electricity that uses only the hydroelectric potential
30 of an existing pipe, ditch, flume, siphon, tunnel, canal, or other
31 manmade conduit that is operated to distribute water for a
32 beneficial use.

33 (b) "Delivered" and "delivery" have the same meaning as
34 provided in subdivision (a) of Section 25741 of the Public
35 Resources Code.

36 (c) "Eligible renewable energy resource" means an electrical
37 generating facility that meets the definition of an "in-state
38 renewable electricity generation facility" in Section 25741 of the
39 Public Resources Code, subject to the following limitations:

1 (1) (A) An existing small hydroelectric generation facility of
2 30 megawatts or less shall be eligible only if a retail seller or local
3 publicly owned electric utility owned or procured the electricity
4 from the facility as of December 31, 2005. A new hydroelectric
5 facility is not an eligible renewable energy resource if it will cause
6 an adverse impact on instream beneficial uses or cause a change
7 in the volume or timing of streamflow.

8 (B) Notwithstanding subparagraph (A), a conduit hydroelectric
9 facility of 30 megawatts or less that commenced operation before
10 January 1, 2006, is an eligible renewable energy resource. A
11 conduit hydroelectric facility of 30 megawatts or less that
12 commences operation after December 31, 2005, is an eligible
13 renewable energy resource so long as it does not cause an adverse
14 impact on instream beneficial uses or cause a change in the volume
15 or timing of streamflow.

16 (2) A facility engaged in the combustion of municipal solid
17 waste shall not be considered an eligible renewable energy resource
18 unless it is located in Stanislaus County and was operational prior
19 to September 26, 1996.

20 (d) "Procure" means to acquire through ownership or contract.
21 For purposes of meeting the renewables portfolio standard
22 procurement requirements, a retail seller or local publicly owned
23 electric utility may procure either delivered electricity generated
24 by an eligible renewable energy resource that it owns or for which
25 it has entered into an electricity purchase agreement. Nothing in
26 this article is intended to imply that the purchase of electricity from
27 third parties in a wholesale transaction is the preferred method of
28 fulfilling a retail seller's obligation to comply with this article or
29 the obligation of a local publicly owned electric utility to meet its
30 renewables portfolio standard implemented pursuant to Section
31 387.

32 (e) (1) "Renewable energy credit" means a certificate of proof
33 associated with the generation of electricity from an eligible
34 renewable energy resource, issued through the accounting system
35 established by the Energy Commission pursuant to Section 399.13,
36 that one unit of electricity was generated and delivered by an
37 eligible renewable energy resource.

38 (2) "Renewable energy credit" includes all renewable and
39 environmental attributes associated with the production of
40 electricity from the eligible renewable energy resource, except for

1 an emissions reduction credit issued pursuant to Section 40709 of
2 the Health and Safety Code and any credits or payments associated
3 with the reduction of solid waste and treatment benefits created
4 by the utilization of biomass or biogas fuels.

5 (3) No electricity generated by an eligible renewable energy
6 resource attributable to the use of nonrenewable fuels, beyond a
7 de minimis quantity used to generate electricity in the same process
8 through which the facility converts renewable fuel to electricity,
9 shall result in the creation of a renewable energy credit. The Energy
10 Commission shall set the de minimis quantity of nonrenewable
11 fuels for each renewable energy technology at a level of no more
12 than 2 percent of the total quantity of fuel used by the technology
13 to generate electricity. The Energy Commission may adjust the de
14 minimis quantity for an individual facility, up to a maximum of 5
15 percent, if it finds that all of the following conditions are met:

16 (A) The facility demonstrates that the higher quantity of
17 nonrenewable fuel will lead to an increase in generation from the
18 eligible renewable energy facility that is significantly greater than
19 generation from the nonrenewable fuel alone.

20 (B) The facility demonstrates that the higher quantity of
21 nonrenewable fuels will reduce the variability of its electrical
22 output in a manner that results in net environmental benefits to the
23 state.

24 (C) The higher quantity of nonrenewable fuel is limited to either
25 natural gas or hydrogen derived by reformation of a fossil fuel.

26 (f) “Renewables portfolio standard” means the specified
27 percentage of electricity generated by eligible renewable energy
28 resources that a retail seller is required to procure pursuant to this
29 article or the obligation of a local publicly owned electric utility
30 to meet its renewables portfolio standard implemented pursuant
31 to Section 387.

32 (g) “Retail seller” means an entity engaged in the retail sale of
33 electricity to end-use customers located within the state, including
34 any of the following:

35 (1) An electrical corporation, as defined in Section 218.

36 (2) A community choice aggregator. The commission shall
37 institute a rulemaking to determine the manner in which a
38 community choice aggregator will participate in the renewables
39 portfolio standard program subject to the same terms and conditions
40 applicable to an electrical corporation.

(3) An electric service provider, as defined in Section 218.3, for all sales of electricity to customers beginning January 1, 2006. The commission shall institute a rulemaking to determine the manner in which electric service providers will participate in the renewables portfolio standard program. The electric service provider shall be subject to the same terms and conditions applicable to an electrical corporation pursuant to this article. Nothing in this paragraph shall impair a contract entered into between an electric service provider and a retail customer prior to the suspension of direct access by the commission pursuant to Section 80110 of the Water Code.

(4) "Retail seller" does not include any of the following:

(A) A corporation or person employing cogeneration technology or producing electricity consistent with subdivision (b) of Section 218.

(B) The Department of Water Resources acting in its capacity pursuant to Division 27 (commencing with Section 80000) of the Water Code.

(C) A local publicly owned electric utility.

SEC. 3. Section 399.12 of the Public Utilities Code is amended to read:

399.12. For purposes of this article, the following terms have the following meanings:

(a) "Conduit hydroelectric facility" means a facility for the generation of electricity that uses only the hydroelectric potential of an existing pipe, ditch, flume, siphon, tunnel, canal, or other manmade conduit that is operated to distribute water for a beneficial use.

~~(b) "Delivered" and "delivery" have the same meaning as provided in subdivision (a) of Section 25741 of the Public Resources Code.~~

(b) "Balancing authority" means the responsible entity that integrates resource plans ahead of time, maintains load-interchange generation balance within a balancing authority area, and supports interconnection frequency in real time.

(c) "Balancing authority area" means the collection of generation, transmission, and loads within the metered boundaries of the area within which the balancing authority maintains the electrical load-resource balance.

(d) *“California balancing authority” is a balancing authority with control over a balancing authority area primarily located in this state and operating for retail sellers and local publicly owned electric utilities subject to the requirements of this article and includes the Independent System Operator (ISO) and a local publicly owned electric utility operating a transmission grid that is not under the operational control of the ISO. A California balancing authority is responsible for the operation of the transmission grid within its metered boundaries which may not be limited by the political boundaries of the State of California.*

(e) *“Eligible renewable energy resource” means an ~~electric~~ electrical generating facility that meets the definition of ~~“in-state renewable electricity”~~ a “renewable electrical generation facility” in Section 25741 of the Public Resources Code, subject to the following limitations:*

(1) (A) *An existing small hydroelectric generation facility of 30 megawatts or less shall be eligible only if a retail seller or local publicly owned electric utility ~~owned or~~ procured the electricity from the facility as of December 31, 2005. A small hydroelectric generation unit with a nameplate capacity not exceeding 40 megawatts that is operated as part of a water supply or conveyance system is an eligible renewable energy resource if the retail seller or local publicly owned electric utility procured the electricity from the facility as of December 31, 2005. A new hydroelectric facility that commences generation of electricity after December 31, 2005, is not an eligible renewable energy resource if it will cause an adverse impact on instream beneficial uses or cause a change in the volume or timing of streamflow.*

(B) *Notwithstanding subparagraph (A), a conduit hydroelectric facility of 30 megawatts or less that commenced operation before January 1, 2006, is an eligible renewable energy resource. A conduit hydroelectric facility of 30 megawatts or less that commences operation after December 31, 2005, is an eligible renewable energy resource so long as it does not cause an adverse impact on instream beneficial uses or cause a change in the volume or timing of streamflow.*

(C) *A facility approved by the governing board of a local publicly owned electric utility prior to June 1, 2010, for procurement to satisfy renewable energy procurement obligations*

1 *adopted pursuant to former Section 387, shall be certified as an*
2 *eligible renewable energy resource by the Energy Commission*
3 *pursuant to this article, if the facility is a “renewable electrical*
4 *generation facility” as defined in Section 25741 of the Public*
5 *Resources Code.*

6 (2) A facility engaged in the combustion of municipal solid
7 waste shall not be considered an eligible renewable *energy* resource
8 unless it is located in Stanislaus County and was operational prior
9 to September 26, 1996.

10 (d)

11 (f) ~~“Procure” means that a retail seller or local publicly owned~~
12 ~~electric utility receives delivered electricity generated by an eligible~~
13 ~~renewable energy resource that it owns or for which it has entered~~
14 ~~into an electricity purchase agreement. Nothing in this article is~~
15 ~~intended to imply that the purchase of electricity from third parties~~
16 ~~in a wholesale transaction is the preferred method of fulfilling a~~
17 ~~retail seller’s obligation to comply with this article or the obligation~~
18 ~~of a local publicly owned electric utility to meet its renewables~~
19 ~~portfolio standard implemented pursuant to Section 387 to acquire~~
20 ~~through ownership or contract.~~

21 (e) ~~“Renewables portfolio standard” means the specified~~
22 ~~percentage of electricity generated by eligible renewable energy~~
23 ~~resources that a retail seller is required to procure pursuant to this~~
24 ~~article or the obligation of a local publicly owned electric utility~~
25 ~~to meet its renewables portfolio standard implemented pursuant~~
26 ~~to Section 387.~~

27 (g) *“Procurement entity” means any person or corporation*
28 *authorized by the commission to enter into contracts to procure*
29 *eligible renewable energy resources on behalf of customers of a*
30 *retail seller pursuant to subdivision (g) of Section 399.13.*

31 (f)

32 (h) (1) *“Renewable energy credit” means a certificate of proof*
33 *associated with the generation of electricity from an eligible*
34 *renewable energy resource, issued through the accounting system*
35 *established by the Energy Commission pursuant to Section 399.13*
36 *399.25, that one unit of electricity was generated and delivered by*
37 *an eligible renewable energy resource.*

38 (2) *“Renewable energy credit” includes all renewable and*
39 *environmental attributes associated with the production of*
40 *electricity from the eligible renewable energy resource, except for*

1 an emissions reduction credit issued pursuant to Section 40709 of
2 the Health and Safety Code and any credits or payments associated
3 with the reduction of solid waste and treatment benefits created
4 by the utilization of biomass or biogas fuels.

5 (3) No electricity generated by an eligible renewable energy
6 resource attributable to the use of nonrenewable fuels, beyond a
7 de minimis quantity, ~~as determined by the Energy Commission~~
8 *used to generate electricity in the same process through which the*
9 *facility converts renewable fuel to electricity*, shall result in the
10 creation of a renewable energy credit. *The Energy Commission*
11 *shall set the de minimis quantity of nonrenewable fuels for each*
12 *renewable energy technology at a level of no more than 2 percent*
13 *of the total quantity of fuel used by the technology to generate*
14 *electricity. The Energy Commission may adjust the de minimis*
15 *quantity for an individual facility, up to a maximum of 5 percent,*
16 *if it finds that all of the following conditions are met:*

17 (A) *The facility demonstrates that the higher quantity of*
18 *nonrenewable fuel will lead to an increase in generation from the*
19 *eligible renewable energy facility that is significantly greater than*
20 *generation from the nonrenewable fuel alone.*

21 (B) *The facility demonstrates that the higher quantity of*
22 *nonrenewable fuels will reduce the variability of its electrical*
23 *output in a manner that results in net environmental benefits to*
24 *the state.*

25 (C) *The higher quantity of nonrenewable fuel is limited to either*
26 *natural gas or hydrogen derived by reformation of a fossil fuel.*

27 (4) (A) *No electricity generated by a small hydroelectric*
28 *generation facility shall result in the creation of a renewable*
29 *energy credit unless the facility meets the requirements of*
30 *subparagraph (A) of paragraph (1) of subdivision (e).*

31 (B) *No electricity generated by a conduit hydroelectric*
32 *generation facility shall result in the creation of a renewable*
33 *energy credit unless the facility meets the requirements of*
34 *subparagraph (B) of paragraph (1) of subdivision (e).*

35 (5) *No electricity generated by a facility engaged in the*
36 *combustion of municipal solid waste shall result in the creation*
37 *of a renewable energy credit unless the facility meets the*
38 *requirements of paragraph (2) of subdivision (e).*

39 (i) *“Renewables portfolio standard” means the specified*
40 *percentage of electricity generated by eligible renewable energy*

resources that a retail seller or a local publicly owned electric utility is required to procure pursuant to this article.

(g)

(j) "Retail seller" means an entity engaged in the retail sale of electricity to end-use customers located within the state, including any of the following:

(1) An electrical corporation, as defined in Section 218.

(2) A community choice aggregator. The commission shall institute a rulemaking to determine the manner in which a community choice aggregator will participate in the renewables portfolio standard program subject to the same terms and conditions applicable to an electrical corporation.

(3) An electric service provider, as defined in Section 218.3, for all sales of electricity to customers beginning January 1, 2006. The commission shall institute a rulemaking to determine the manner in which electric service providers will participate in the renewables portfolio standard program. The electric service provider shall be subject to the same terms and conditions applicable to an electrical corporation pursuant to this article. Nothing in this paragraph shall impair a contract entered into between an electric service provider and a retail customer prior to the suspension of direct access by the commission pursuant to Section 80110 of the Water Code.

(4) "Retail seller" does not include any of the following:

(A) A corporation or person employing cogeneration technology or producing electricity consistent with subdivision (b) of Section 218.

(B) The Department of Water Resources acting in its capacity pursuant to Division 27 (commencing with Section 80000) of the Water Code.

(C) A local publicly owned electric utility.

(k) "WECC" means the Western Electricity Coordinating Council of the North American Electric Reliability Corporation, or a successor to either corporation.

~~SEC. 3.~~

SEC. 4. The amendment of Section 399.2.5 of the Public Utilities Code made by this act does not constitute a change in, but is declaratory of, existing law and is intended by the Legislature to clarify the language of that section to conform to the construction

1 and application of that section by the Public Utilities Commission
2 in Decision 07-03-012.

3 ~~SEC. 4. This bill shall only become operative if this bill and~~
4 ~~SB 722 are both enacted and become effective on or before January~~
5 ~~1, 2011.~~

6 *SEC. 5. Section 3 of this bill incorporates amendments to*
7 *Section 399.12 of the Public Utilities Code proposed by both this*
8 *bill and SB 722. It shall only become operative if (1) both bills are*
9 *enacted and become effective on or before January 1, 2011, (2)*
10 *each bill amends Section 399.12 of the Public Utilities Code, and*
11 *(3) this bill is enacted after SB 722, in which case Section 2 of this*
12 *bill shall not become operative.*